

APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)

\_\_\_\_\_  
Name of Utility  
\_\_\_\_\_

\_\_\_\_\_  
Business Mailing Address  
\_\_\_\_\_

Telephone Number: ( ) \_\_\_\_\_

I. Basic Information

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL of the person to whom correspondence or communications concerning this application should be directed:

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone Number: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

**(If a check box appears next to a statement below, the Applicant should check the box if the statement is applicable to the Applicant or its Application. Where no check box appears, Applicant is representing that statement is correct.)**

1. In its most recent calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. ☐
2. Applicant has filed an annual report with the Public Service Commission for the past year and the two previous years. ☐
3. Applicant's records are kept separate from other commonly-owned enterprises. ☐
4. a. Applicant is a corporation. A copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission is Case No. \_\_\_\_\_ (insert Case No.) ☐

b. Applicant is a limited liability company. A copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission is Case No. \_\_\_\_\_ **(insert Case No.)** ☐

c. Applicant is not a corporation or a limited liability company. ☐

5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601. ☐

b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rintervention@ag.ky.gov. ☐

6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application is filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)** ☐

b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)** ☐

c. Applicant has more than 20 customers, is not a sewer utility, and has published notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication being made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)** ☐

7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" form.)**

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" form.)**

9. Applicant proposes to use its most recent annual report as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, \_\_\_\_\_ **(insert calendar year).**

10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of**

appropriate "Statement of Adjusted Operations" form and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.) ☐

11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$\_\_\_\_\_ and total revenues from service rates of \$\_\_\_\_\_. **(Insert the revenue amounts.)** The manner in which these amounts were calculated is set forth in the attachment "Revenue Requirement Calculation". **(Attach a completed "Revenue Requirement Calculation" form.)**

12. As of the **date of the filing of this application**, Applicant had \_\_\_\_\_ **(Insert number of customers)** customers.

13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" form.)**

14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**

15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds. ☐

b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution). ☐

16. a. Applicant is not required to file state and federal tax returns. ☐

b. Applicant is required to file state and federal tax returns. ☐

c. Applicant's most recent state and federal tax returns are attached to this Application. **(Attach a copy of returns.)** ☐

17. Approximately \_\_\_\_\_ **(Insert dollar amount or percentage of total utility plant)** of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed

\_\_\_\_\_  
Officer of the Company/Authorized Representative

Title

\_\_\_\_\_

Date

\_\_\_\_\_

COMMONWEALTH OF KENTUCKY

COUNTY OF \_\_\_\_\_

Before me appeared \_\_\_\_\_, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

**LIST OF ATTACHMENTS**  
**(Indicate all documents submitted by checking box)**

- ☐ Applicant's Articles of Incorporation
- ☐ All amendments to Applicant's Articles of Incorporation
- ☐ Customer Notice of Proposed Rate Adjustment
- ☐ "Reasons for Application" Form
- ☐ "Current and Proposed Rates" Form
- ☐ "Statement of Adjusted Operations" Form
- ☐ "Revenue Requirements Calculation" Form
- ☐ "Billing Analysis" Form
- ☐ Depreciation Schedule
- ☐ Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes)
- ☐ State Tax Return
- ☐ Federal Tax Return

### **REASONS FOR APPLICATION FORM**

**(List in the space below all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)**

**CURRENT AND PROPOSED RATES FORM**

**(List Applicant's Current and Proposed Rates)**

## **Schedule of Adjusted Operations - Water Utility**

TYE 12/31/20XX

	Test Year	Adjustment	Ref.	Pro forma
Operating Revenues				
Sales of Water				
Unmetered Water Sales				
Metered Water Sales				
Bulk Loading Stations				
Fire Protection Revenue				
Sales for Resale				
Total Sales of Water				
Other Water Revenues				
Forfeited Discounts				
Miscellaneous Service Revenues				
Rents from Water Property				
Other Water Revenues				
Total Other Water Revenues				
Total Operating Revenues				
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees				
Salaries and Wages - Officers				
Employee Pensions and Benefits				
Purchased Water				
Purchased Power				
Fuel for Power Production				
Chemicals				
Materials and Supplies				
Contractual Services				
Water Testing				
Rents				
Transportation Expenses				
Insurance				
Regulatory Commission Expenses				
Bad Debt Expense				
Miscellaneous Expenses				
Total Operation and Maintenance Expenses				
Depreciation Expense				
Amortization Expense				
Taxes Other Than Income				
Income Tax Expense				
Total Operating Expenses				
Utility Operating Income				

**Schedule of Adjusted Operations Form - Gas Utility**

TYE 12/31/20XX

	Test Year	Adjustment	Ref.	Pro forma
Operating Revenues				
Sales of Gas				
Residential				
Commercial & Industrial				
Interdepartmental				
Sales for Resale				
Total Sales of Gas				
Other Operating Revenues				
Forfeited Discounts				
Miscellaneous Service Revenues				
Rent from Gas Property				
Other Gas Revenues				
Total Operating Revenues				
Operating Expenses				
Operation and Maintenance Expenses				
Manufactured Gas Production Expenses				
Natural Gas Production Expenses				
Exploration and Development Expenses				
Storage Expenses				
Other Gas Supply Expenses				
Transmission Expenses				
Distribution Expenses				
Customer Accounts Expenses				
Customer Service and Informational Expenses				
Administrative and General Expenses				
Total Operation and Maintenance Expenses				
Depreciation Expense				
Amortization Expense				
Taxes Other Than Income				
Income Tax Expense				
Total Operating Expenses				
Utility Operating Income				

**Schedule of Adjusted Operations Form - Sewer Utility**

TYE 12/31/20XX

	Test Year	Adjustment	Ref.	Pro forma
Operating Revenues				
Sewage Service Revenues				
Flat Rate Revenues				
Measured Revenues				
Revenue from Public Authorities				
Revenue from Other Systems				
Miscellaneous Sewage Revenues	_____	_____		_____
Total Sewage Service Revenues	_____	_____		_____
Other Operating Revenues				
Forfeited Discounts				
Miscellaneous Operating Revenues	_____	_____		_____
Total Other Operating Revenues	_____	_____		_____
Total Operating Revenues	_____	_____		_____
Operating Expenses				
Total Operation and Maintenance Expenses*				
Depreciation Expense				
Amortization Expense				
Taxes Other Than Income				
Income Tax Expense	_____	_____		_____
Total Operating Expenses	_____	_____		_____
Utility Operating Income	=====	=====		=====

\* Detailed Statement of Operation and Maintenance Expense shown on following page

## Sewer Operations and Maintenance Expenses

TYE 12/31/20XX

	Test Year	Adjustment	Ref.	Pro forma
Operation Expenses				
Supervision and Engineering:				
Owner/Manager-Management Fee				
Other Expenses				
Labor and Expenses:				
Collection System-Labor, Materials and Expenses				
Pumping System-Labor, Materials and Expenses				
Treatment System:				
Sludge Hauling				
Utility Service-Water Cost				
Other-Labor, Materials and Expenses				
Rents				
Fuel and Power Purchased for Pumping and Treatment				
Chemicals				
Miscellaneous Supplies and Expenses:				
Collection System				
Pumping System				
Treatment and Disposal				
Maintenance Expenses				
Supervision and Engineering:				
Routine Maintenance Service Fee				
Internal Supervision and Engineering				
Maintenance of Structures and Improvements				
Maintenance of Collection Sewer System				
Maintenance of Pumping System				
Maintenance of Treatment and Disposal Plant				
Maintenance of Other Plant and Facilities				
Customer Accounts Expenses				
Supervision				
Meter Reading Expenses and Flat Rate Inspections				
Customer Records and Collection Expenses:				
Agency Collection Fee				
Internal Labor, Materials and Expenses				
Uncollectible Accounts				
Miscellaneous Customer Accounts Expenses				
Administrative and General Expenses				
Administrative and General Salaries				
Office Supplies and Other Expenses				
Outside Services Employed				
Insurance Expense				
Employee Pensions and Benefits				
Regulatory Commission Expense				
Transportation Expenses				
Miscellaneous General Expenses				
Rents				
Maintenance of General Plant				
Total Sewer Operation and Maintenance Expenses				

## REVENUE REQUIREMENT CALCULATION FORM – DEBT COVERAGE METHOD

(This method is used commonly used by non-profits  
that have long-term debts outstanding.)

Pro forma Operating Expenses	\$
Plus: 5-year Average Principal and Interest Payments on all Debts	
Debt Coverage Requirement	<hr/>
Total Revenue Requirement	
Less: Other Operating Revenue	
Non-operating Revenue	
Interest Income	<hr/>
Revenue Required from Rates	
Less: Revenue from Sales at Present Rates	<hr/>
Required Revenue Increase	<hr/> <hr/> \$
Required Revenue Increase stated as a	
Percentage of Revenue at Present Rates	<hr/> <hr/> %

# REVENUE REQUIREMENT CALCULATION FORM – OPERATING RATIO METHOD

(This method is commonly used by investor owned utilities as well as non-profit entities that do not have long-term debts outstanding.)

Pro forma Operating Expenses before Income Taxes	\$
Divide by: Operating Ratio	<u>88%</u>
Sub-Total	
Less: Pro forma Operating Expenses Before Income Taxes	<u>                    </u>
Net Income Allowable	
Add: Provision for State and Federal Income Taxes	
Interest Expense	
Pro forma Operating Expenses Before Taxes	<u>                    </u>
Total Revenue Requirement	
Less: Other Operating Revenue	
Non-operating Revenue	
Interest Income	<u>                    </u>
Total Revenue Required from Rates for Service	
Less: Revenue from Sales at Present Rates	<u>                    </u>
Required Revenue Increase \$\$\$	<u>                    </u>
Required Revenue Increase stated as a	
Percentage of Revenue at Present Rates	<u>                    </u>
Provision for Income Taxes when appropriate.	
Calculation of Tax Gross-Up Factor	
Revenue	1
Less: State Tax	0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-total	0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	0
Net Income Before Taxes	0
Difference Equals Provision for State and Federal Taxes	0

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where actual federal tax rate exceeds the minimum federal tax rate.

# BILLING ANALYSIS FORM – DECLINING BLOCK RATES

Revenue from Present Rates

Test Period from 01-01-XX to 12-31-XX

## USAGE TABLE

Usage by Rate Increment

Class: \_\_\_\_\_

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Minimum Bill	Bills	Gallons/Mcf	First	Next	Next	Next	Over	Total
First								
Next								
Next								
Next								
Over								
Totals								

## REVENUE TABLE

Revenue by Rate Increment

(1)	(2)	(3)	(4)	(5)
Minimum Bill	Bills	Gallons/Mcf	Rates	Revenue
First			\$	\$
Next			\$	
Next			\$	
Next			\$	
Over			\$	
Totals				Total Revenue

### Instructions for Completing Revenue Table:

- Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- Complete Column No. 4 using rates either present or proposed.
- Column No. 5 is completed by first multiplying the bills times the minimum charge.
- Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

# BILLING ANALYSIS FORM - DECLINING BLOCK RATES

Revenue from Proposed Rates

Test Period from 01-01-XX to 12-31-XX

## USAGE TABLE

Usage by Rate Increment

Class: \_\_\_\_\_

(1)	(2) Bills	(3) Gallons/Mcf	(4) First	(5) Next	(6) Next	(7) Next	(8) Over	(9) Total
First Minimum Bill								
Next Gallons								
Next Gallons								
Next Gallons								
Over Gallons								
Totals								

## REVENUE TABLE

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First Minimum Bill			\$	
Next Gallons			\$	
Next Gallons			\$	
Next Gallons			\$	
Over Gallons			\$	
Totals				Total Revenue

### Instructions for Completing Revenue Table:

- (5) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (6) Complete Column No. 4 using rates either present or proposed.
- (7) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (8) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

**BILLING ANALYSIS FORM – FLAT RATES**  
Revenue from Present/Proposed Rates

**REVENUE TABLE**

**Current Rate**

Number of Customers	X	Flat Monthly Rate	=	Monthly Revenue	X	Months	=	Annual Revenue
	X			\$	X	12	=	\$

**Proposed Rate**

Number of Customers	X	Flat Monthly Rate	=	Monthly Revenue	X	Months	=	Annual Revenue
	X			\$	X	12	=	\$

## BILLING ANALYSIS FORM – DECLINING BLOCK RATES INSTRUCTIONS

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1<sup>st</sup> 2,000 gallons minimum bill rate level  
432 Bills  
518,400 gallons used  
All bills use 2,000 gallons or less, therefore, all usage is  
recorded in Column 4.

Step2: Next 3,000 gallons rate level  
1,735 Bills  
4,858,000 gallons used  
1<sup>st</sup> 2,000 minimum x 1,735 bills = 3,470,000 gallons – record  
in Column 4.  
Next 3,000 gallons – remainder of water over 2,000 =  
1,388,000 gallons – record in Column 5.

Step3: Next 10,000 gallons rate level  
 1,830 Bills  
 16,268,700 gallons used  
 $1^{\text{st}} 2,000 \text{ minimum} \times 1,830 \text{ bills} = 3,660,000 \text{ gallons} - \text{record in Column 4.}$   
 $\text{Next } 3,000 \text{ gallons} \times 1,830 \text{ bills} = 5,490,000 \text{ gallons} - \text{record in Column 5.}$   
 $\text{Next } 10,000 \text{ gallons} - \text{remainder of water over } 3,000 = 7,118,700 \text{ gallons} - \text{record in Column 6.}$

Step4: Next 25,000 gallons rate level  
 650 Bills  
 15,275,000 gallons used  
 $1^{\text{st}} 2,000 \text{ minimum} \times 650 \text{ bills} = 1,300,000 \text{ gallons} - \text{record in Column 4.}$   
 $\text{Next } 3,000 \text{ gallons} \times 650 \text{ bills} = 1,950,000 \text{ gallons} - \text{record in Column 5.}$   
 $\text{Next } 10,000 \text{ gallons} \times 650 \text{ bills} = 6,500,000 \text{ gallons} - \text{record in Column 6.}$   
 $\text{Next } 25,000 \text{ gallons} - \text{remainder of water over } 10,000 = 5,525,000 \text{ gallons} - \text{record in Column 7.}$

Step5: Over 40,000 gallons rate level  
 153 Bills  
 9,975,600 gallons used  
 $1^{\text{st}} 2,000 \text{ minimum} \times 153 \text{ bills} = 306,000 \text{ gallons} - \text{record in Column 4.}$   
 $\text{Next } 3,000 \text{ gallons} \times 153 \text{ bills} = 459,000 \text{ gallons} - \text{record in Column 5.}$   
 $\text{Next } 10,000 \text{ gallons} \times 153 \text{ bills} = 1,530,000 \text{ gallons} - \text{record in Column 6.}$   
 $\text{Next } 25,000 \text{ gallons} \times 153 \text{ bills} = 3,825,000 \text{ gallons} - \text{record in Column 7.}$   
 $\text{Over } 40,000 \text{ gallons} - \text{remainder of water over } 25,000 = 3,855,600 \text{ gallons} - \text{record in Column 8.}$

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

Revenue from Present/Proposed Rates  
Test Period from 01-01-XX to 12-31-XX

**USAGE TABLE**

Usage by Rate Increment

**Class:** Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

**REVENUE TABLE**

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.